FOREIGN AGRICULTURE

Cow on milking machine, Cremona.

Nov. 15, 1976

- Asia's Rice Imports Seen Rising
- Canada-EC Trade Pact

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This week's cover:

A cow on a milking machine at the recent International Dairy Cattle Fair in Cremona, Italy. The U.S. exhibit at the show featured livestock, cattle semen, feed grains, and soybeans—major import items for this meat- and feed-short country. See article on page 12.

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Upturn in Asia's Rice Imports Anticipated

By E. WAYNE DENNEY, AMJAD H. GILL, THOMAS H. LEDERER, and JOHN B. PARKER, JR.
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THE CONFIDENT atmosphere of abundance that followed Asia's large 1975 rice harvests has begun to fade.

Drought and pest problems have forced Indonesia to import more rice in 1976 and have reduced prospects in Sri Lanka, some areas of eastern India, northern Thailand, and Java in Indonesia.

Indonesia's rice imports are expected to continue upward in 1977, pushing Asia's total rice imports to about 5 million tons, up from less than 4 million tons in 1975 and about 4.5 million tons in 1976.

Excellent weather in 1975 allowed Asia's rice farmers to harvest a record 209 million tons of rice—9 percent above the 1972-74 average.

It now appears that Asia's 1976 rice output might be about 3 percent smaller than the 1975 record. Declines in the People's Republic of China (PRC), India, Indonesia, and Sri Lanka have offset gains in Korea and in the Philippines. Asia accounts for about 90 percent of world rice production and more than half of world trade in rice.

Monsoon rainfall in India during June-September 1975 was about 12 percent above normal and well distributed in terms of location and timing. Ample rainfall also allowed farmers in Bangladesh, Thailand, Korea, and the PRC to harvest record rice crops.

Some Asian farmers will obtain lower rice yields in 1976 because late September rainfall was far below normal. Good rains in August improved prospects in India, but severe flooding apparently damaged the crop in Pakistan.

It is unlikely that Pakistan will be able to expand its rice exports to the Mideast, Indonesia, and Sri Lanka from the 1976/77 crop. Quite possibly, U.S. exports to these countries might increase to fill gaps left by dwindling deliveries by the PRC, Egypt, and several other exporters.

Deliveries of basmati rice by Pakistan to Mideast markets during 1977 might remain near the levels recorded in the past 2 years. However, total rice imports by Iraq and Arabian Peninsula countries in 1977 are expected to rise by more than 150,000 tons.

The erratic monsoon in eastern India and floods in Pakistan indicate that some reduction from the record total 1975/76 harvest might be expected in South Asia in 1976/77. Consumers depending upon imported rice in Hong Kong and Singapore are concerned also about drought in some areas of the PRC. Consumer demand for rice in Asia has been spurred by rising incomes, lower price, and smaller per capita supplies of coarse grains and pulses.

A review of the current situation in Asia's rice exporting countries indicates that consumption is strong, stocks are higher than they have been for the last 4 years, and consumer prices are lower than they have been in 3 years. Changes in rice prices and trade arrangements will be heavily influenced by government policies that are based on prospects for the forthcoming harvests. Rice production is likely to be down this season in Asia's three major rice exporters—PRC, Thailand, and Pakistan.

INADEQUATE monsoon rainfall in some of India's major rice areas during late June, July, and September apparently hampered prospects for the 1976/77 rice harvest. Good rains during August raised hopes that the rice harvest might be within 90 percent of the record level reported last year (47.4 million tons), but some damage has already been done.

Assuming normal rainfall for the remainder of the monsoon season, the 1976/77 kharif crop is subject to fall in the 39- to 41-million-ton range, compared with about 43 million tons for the 1975/76 kharif rice crop. This figure includes rice planted from late May through early July and harvested from September through January, with most of the harvest occurring in the last

2 months of the year.

Government grain stocks were estimated at 16 million tons in July 1976, including about 4 million tons of rice. Both Government and farm stocks of rice are likely to decline in 1976/77 in India because of lower production.

The severe drought in Sri Lanka will cause rice imports to rise in the coming year. Sri Lanka's major suppliers—particularly the PRC, Burma, and Pakistan in recent years—may have less rice to ship to Sri Lanka in 1976/77. Sri Lanka's maha rice crop, planted during August-October 1975, provided a harvest of approximately 582,000 tons last spring.

The yala, planted mostly on dryland during March/April 1976, is dependent on southwestern monsoon rains. However, adequate rains failed to materialize. The yala crop usually yields around 300,000 tons of rice, but in 1976 is expected to produce only 118,000 tons. The yala rice crop provides one-third of Sri Lanka's total rice production.

In spite of the Government's all-out efforts to produce more rice in 1976 by subsidizing fertilizer and providing more high-yield seed, the yala rice crop was a disappointment because of a lack of water.

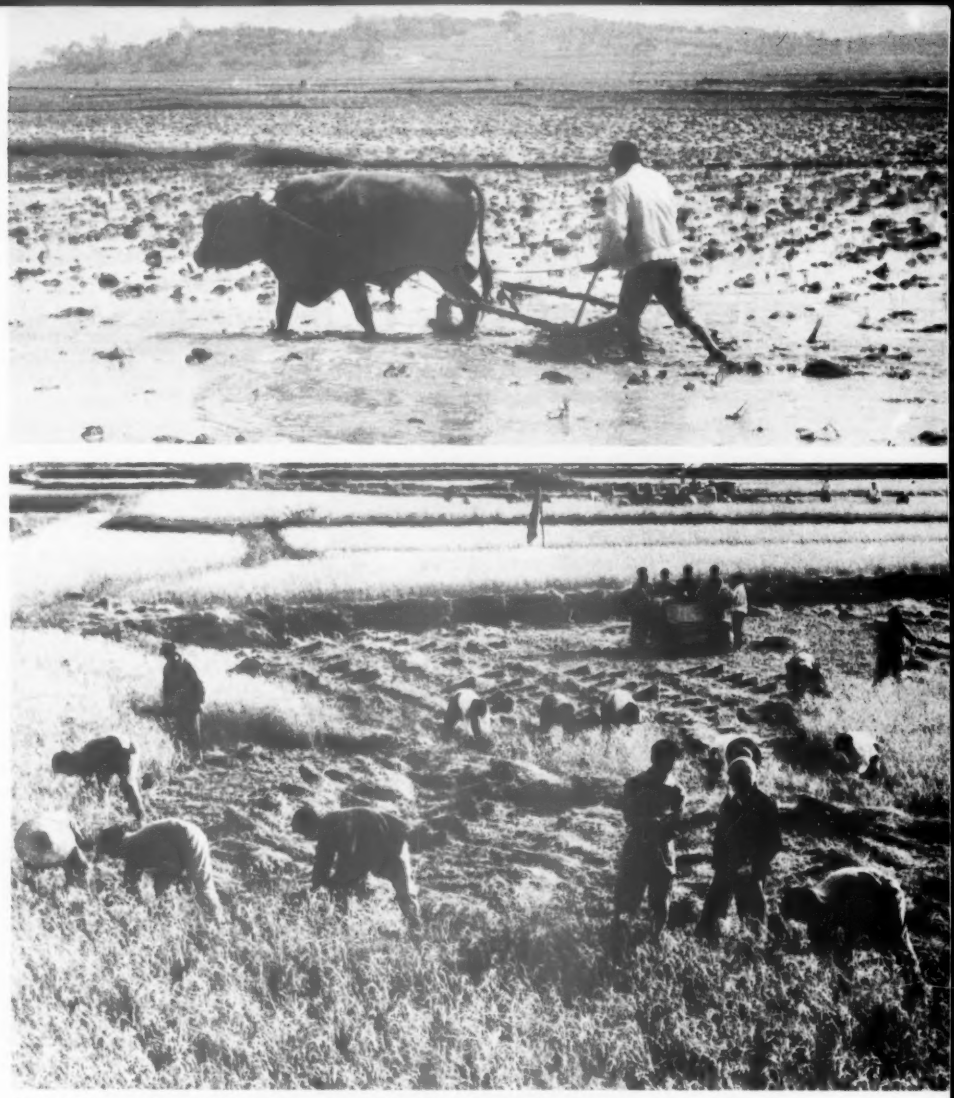
Total rice production for 1975/76 in Bangladesh is estimated at a record 13 million tons—a result of favorable weather, timely distribution of water, and a small increase in the use of fertilizer. Early estimates by the Government project a 1976/77 rice production level of 12.7 million tons, a slight decrease from last year's exceptional harvest.

Bangladesh has received economic assistance for food imports from a variety of sources, including P.L. 480 aid from the United States, the World Food Program, and aid programs of Japan and the European Community.

The arrival of large quantities of bagged milled rice has congested the harbors where facilities are set up to handle and store bulk wheat. The combination of a record harvest and high import levels has overwhelmed the storage and distribution system.

The short-term solution involves the reduction of stocks to coincide with the major harvest and a more efficient timing of foodgrain arrivals.

Higher procurement prices and a reduction in the border trade with India allowed Bangladesh's Food Corporation to up purchases from farmers in early 1976, which contributed also to the temporary surplus of rice in the market. Imports of rice from Japan, Nepal, and Pakistan have increased also in 1976.



Top: A Korean farmer harrows a rice paddy prior to planting. Above: Workers harvesting rice in the People's Republic of China, where the 1976 crop is smaller than 1975's.

Drought problems damaged rice seedbeds in northeast Thailand, and the Government authorized immediate action to provide new seed to farmers for cultivation during July/August. Normal rainfall through the rest of the season should result in average rice yields. The estimate for the 1976/77 main season harvest is 8.8-9.2 million tons with an additional 700,000 tons from the second harvest.

Historically, Burma has been one of the largest exporters of rice in the world. In 1961/62 (April-March), a typical trade year, Burma exported about 1.5 million tons of rice.

In recent years, production levels have stagnated and domestic need has increased, causing a tremendous decline in the amount of rice available for export. Exports averaged less than 400,000 tons annually during 1971-75. Burma's rice crop, the best in over a decade, is estimated to be 6 million tons for 1975/76, and exports are judged to be less than 400,000 tons, despite official estimates of 424,000 tons. Production for 1976/77 is projected to be 9.9 million tons, and exports are not likely to reach the goal of 600,000 tons.

Flooding and pest damage in late 1975 substantially reduced Indonesia's off-season crop, causing total output to remain at the 15.3-million-ton level of the previous year. Government rice stocks were lower than normal during the early months of 1976, causing con-

cern that insufficient rice would be available for distribution to military and civilian Government employees. Retail rice prices peaked in January and February, prior to the beginning of harvest and before rice purchases had been finalized.

The 1976 crop is currently estimated at 15.4 million tons, slightly above last year's poor crop but more than 900,000 tons below the Government target.

Based on this estimate and considering the large purchases already made, Indonesia's rice imports will probably reach 1.5-1.7 million tons in 1976/77, with Thailand the major supplier.

The United States will send at least 350,000 tons during 1976/77 under P.L. 480, much of which will be received in late 1976. Commercial purchases will account for most of the deliveries from sources other than the United States.

Despite some losses because of typhoon Olga, the Philippines should remain self-sufficient in rice production for the second consecutive year. Damage to planted areas was minimal and replanting took place where severe silting occurred.

Domestic production, unofficially forecast at 4.3 million tons, is 8 percent above the previous year's crop and is expected to exceed consumption requirements by 300,000 tons. If the forecast outturn is realized, some rice exports are possible during 1977.

Due to the severe flood of August 1976, Pakistan's rice crop suffered considerable damage. Pakistan's exports for the coming year may be significantly less than the Government target of 1 million tons calls for.

Exports may be about 600,000 tons, substantially less than last year's exports of 762,000 tons.

The wartorn countries of Cambodia, Laos, and Vietnam are rebuilding their agricultural infrastructure in this first full year of peace. Each of these countries has the potential to be self-sufficient in rice production, and eventually, to be rice exporters again.

THE RICE CROP in Cambodia is grown on approximately 1.3 million hectares, or 80 percent of the land suitable for cultivation. Rice production averaged about 1.6 million tons in the late 1960's, allowing annual exports of between 100,000 and 200,000 tons.

Exports dwindled in 1972 and imports became important for consumers in Phnom Penh during 1973-75. The PRC financed the shipment of 150,000 tons of Thai rice to Cambodia in 1975. With the successful adoption of improved technology, the surpassing of prewar rice production levels is a realistic possibility for Cambodia.

The new Laotian Government has emphasized self-sufficiency in food production and development of the country's full agricultural potential. During the first Five-Year Plan (1975-80), 70 percent of the resources allocated will be devoted to agriculture, including rice production.

Vietnam's food supplies do not appear critical. Accounts of fairly good harvests in 1975 and financial assistance for food imports provided by the USSR and the EC point to a relatively favorable food situation. Burma recently sold 100,000 tons of rice to agencies in Hanoi, which also received 64,000 tons of rice through trade arrangements with the USSR in 1975. Some rice delivered by Soviet ships came from North Korea.

The expected increase in agricultural production in the south could make Vietnam self-sufficient in rice in the near future.

Total rice imports by Asia (excluding West Asia) during 1972-74 averaged 4.7 million tons, but smaller imports by Indonesia caused the quantity to fall below 4 million tons in 1975. An upturn in total rice imports by Asia is likely during the remainder of 1976 and in 1977 because of a production shortfall. Indonesia's rice imports in 1976 are likely to be double the 657,000 tons recorded in 1975. Rice imports by India and Hong Kong will also be larger.

Thailand has been filling some of the gaps left by China's failure to deliver expected quantities of rice to Asian customers in 1976. Prospects for rice exports by Thailand in the next 12 months are good because of strong market demand, a good harvest, and favorable policies set by the Thai Government. Peking trading firms found it feasible to purchase rice at low prices in Thailand and Burma to fulfill contracts for delivery to Sri Lanka and several other countries in early 1976.

Hong Kong had difficulty, however, in receiving rice from China last spring and private traders were forced to turn to Thailand and Australia to keep stocks at levels required by Government regulations. Most of the strong rise in Indonesia's rice imports in the coming year will be supplied by Thai-

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UNITED STATES: EXPORTS OF RICE TO ASIAN MARKETS, FISCAL 1973-77 [1]

Country	Quantity [1,000 metric tons]					Value [1,000 dollars]					Average price [Dol. per ton]	
	1973	1974	1975	1976	1977 [1]	1973	1974	1975	1976	1977 [1]	1975	1976
Indonesia	199	60	42	—	350	45,854	25,801	14,553	—	105,000	346.50	—
South Korea	614	73	578	143	100	126,694	32,208	228,173	38,298	75,000	394.76	267.82
India	—	—	—	18	85	2	—	177	4,493	18,000	—	249.61
Bangladesh	4	—	259	252	150	954	1	103,398	78,645	75,000	399.22	312.08
Malaysia	—	1	—	—	—	—	507	—	—	—	—	—
Singapore	1	45	2	—	2	302	19,302	783	—	1,000	391.50	—
Hong Kong	8	63	6	—	10	2,202	26,955	2,743	—	4,500	457.17	—
S. Vietnam	381	321	64	—	—	84,097	171,056	28,074	—	—	438.66	—
Cambodia	71	190	167	—	—	16,588	103,125	69,748	—	—	417.65	—
Japan	—	8	32	14	25	16	4,188	15,471	5,998	10,000	483.47	428.43
Others	—	—	—	—	50	—	—	—	—	—	—	—
Total	1,278	761	1,150	427	772	276,709	383,143	463,120	127,434	288,500	402.71	298.44

[1] 1977 estimated. Years ending June 30.

U.K. Drought Cuts Grain Output, May Boost Imports

AGRICULTURAL PRODUCTION in the United Kingdom in 1976 has undergone the driest, hottest summer on record, causing shortfalls in the output of some grain and forage crops. U.K. grain imports are expected to be sizable in 1976/77, with the United States again providing a large share of these purchases.

The production situation is complicated by the extremely parched condition of grasslands throughout the United Kingdom, the possibility of a near failure of other feed crops such as feed roots, and the early feeding of winter supplies of hay and silage that has been necessary to maintain milk production.

Patchy rains—heavy in some regions, light in others—fell between August 29 and September 4, but were insufficient to revitalize crops and fields. The weather continued hot and dry over most of the country for several weeks following the rains, and the U.K. meteorological office predicted that the weather would continue to be dry throughout the autumn. It is generally thought that should widespread, heavy rains fall, they will have little effect on pasturelands as it already may be too late for the fields to recover before the advent of winter.

The United Kingdom's Ministry of Agriculture has issued its first estimates of yield per hectare and area under cultivation from which production data can be figured. Based on these data, total grain production is estimated at 13.6 million metric tons, compared with 13.8 million tons in 1975, and the 1974 record of 16.4 million tons.

Wheat area is estimated at 1.24 million hectares, 20 percent above the 1975 level and slightly higher than the 1974 record of 1.23 million hectares. Wheat yield is set at 40.7 quintals per hectare, 5 percent less than the 1975 yield of 42.8 quintals and appreciably lower than the 1974 yield of 49.7 quintals.

Wheat production is estimated at roughly 5 million tons, about the same as 1975's, but more than a million tons below the 1974 production. However, if the yield estimate is ,too high, and some alarming reports about the poor condition of the wheat crop are true, the production estimates could also be too high.

In any normal year a large area planted to wheat in the winter months implies some reduction in the barley area, largely planted in the spring. And that is the case this year.

The U.K. Government provisionally estimates the 1976 barley area at 2.15 million hectares, 211,000 hectares below last year's and marginally less than the barley area in 1974, another year when a large area of winter wheat was planted. Based on an estimated yield of around 35.1 quintals per hectare, barley production is tentatively estimated at only 7.6 million tons, a total below both last year's and 1974's levels.

The barley crop estimate is particularly subject to change. The condition of late-sown barley on light soils in the east and south has been described as disastrous; farther north and in the northwest the crop had been described as excellent, but there is some belief crop damage may be greater than presently estimated.

Oats, however, could show a better yield per hectare over the country than in 1975 because one-third of the crop is grown in Britain and Wales. With a yield expected to be 35.5 quintals per hectare, somewhat better than 1974's, and with only a slight drop in area, a crop of 827,000 tons is expected, about 3 percent greater than last year's 800,000 tons, but still less than 1974's 955,000 tons.

In August 1975, there was serious concern about other feed and fodder crops. Prospects for 1976/77 point to an even more serious situation. The first hay crop was generally good in quantity and quality but there were virtually no second cuts anywhere from the Midlands south, nor were any second cuts of silage possible except in the mideast and Scotland.

The drought has brought pasture growth to a virtual halt throughout all of the United Kingdom, and the early use of hay silage points to the possibility of a severe shortage by late autumn. Production of other fodder crops such as cabbages, kale, fodder beans, feed beets, and all fodder root crops have suffered from extremely poor germination conditions. As a result, production is patchy and thin.

Even production of main crop potatoes, some of which could be used for fodder, is down from last year's output. The Ministry reported that the potato yield was only 19.1 tons per hectare, 3 tons below last year's low yield of 22.1 tons per hectare and 10.5 tons less than the average of the past 3 years. Applying this yield to the whole country, and allowing for the 9 percent increase in this year's potato area, production will only amount to 3.86 million tons. This compares with 4.1 million tons in 1975 and 6.23 million in 1974.

All of these yield figures apply to production only in Britain and Wales and it is normal for Scotland and Ulster to have lower yields. But since they have suffered far less from the drought, it is assumed that Scottish and northern Irish yields are on a par with those in England and Wales. And since this year's harvest was over so much earlier than usual, it is likely these end-of-August yield figures were closer to the final figures than in a more nearly normal year.

The shortfalls in output will probably cause a jump in U.K. demand for imported nongrain feeds and grains, particularly U.S. corn and coarse grains, provided U.S. prices are competitive. The United Kingdom's import needs will probably be made more pressing because other European Community (EC) countries probably lack feed wheat and barley to ship to the British Isles.

DESPITE THE GENERAL assumption that grain imports will be required, there is disagreement over the size of the United Kingdom's import needs. One of the most recent estimates was made by the President of the British Association of Grain, Seed, Feed, and Agricultural Merchants (BASAM), who stated that there will be a need for imports of 1 million more tons of grain this marketing year than last.

U.K. imports of wheat and flour totaled 4.26 million tons in 1975/76, and feedgrains and rye imports were 4.48 million tons in that year. In the case of wheat and flour, the 1975/76 total was 46 percent higher than a year earlier; the feedgrains and rye total 15 percent higher.

There are a number of factors that

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U.S.-Canada Trade To Suffer Little From Canada-EC Pact

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THE FRAMEWORK AGREEMENT, signed July 6, 1976, in Ottawa, by Canada and the European Communities—the European Community (EC), the European Atomic Energy Community (EAEC), and the European Coal and Steel Community (ECSC)—is intended to result in increased trade between Canada and the Continent. However, the Agreement is expected to have a negligible impact on U.S. agricultural trade with Canada.

Details of the Agreement—a unique type of pact in the development of the European Community's external relations—must still largely be worked out and accepted in final version by the two entities.

Because of its initial concern over the welfare of its trade with Canada, the United States was apprehensive about the signing of an economic and commercial pact between that country and the European Communities. A primary cause of this anxiety was that the Agreement would seem to undermine the General Agreement on Tariffs and Trade (GATT) through creation of preferential trading arrangements between EC countries and Canada.

However, since that time the Agreement has provide to be nonpreferential in nature and the United States has dropped its objections. It now considers the pact merely a device for strengthening the ties between our northern neighbor and the Community.

The major thrust for formulating the Agreement—the EC's first nonpreferential cooperation pact with a developed country dealing not only with a trade promotion but with economic cooperation as well—came from Canada's Prime Minister Pierre Trudeau. A part of the Prime Minister's and former External Affairs Minister Allan MacEachen's so-called third option in Canadian foreign policy, the move was the result of a desire to lessen reliance on the United States as a market for and a source of Canada's industrial and agricultural goods. Its purpose also was to strengthen Canada's position in a world that Trudeau believes will eventually be made up of a number of trade blocs, in which Canada wants to compete.

Initial EC reaction to the Canadian initiative was lukewarm. France opposed such a pact because it establishes the principle of formal cooperation agreements between the Community and industrialized trading nations. In June 1975, however, France changed its stance.

Denmark blocked EC-Canadian discussions in early 1976 until Canada gave its oral pledge that it would not discriminate against the Community in granting access to Canadian raw materials.

The energy crisis of late 1973 and of 1974, and concern over the entire question of access to raw materials, probably pushed the Community toward the contractual link with Canada. However, in the long run, Canada's outlook as an exporter of energy materials, particularly gas and oil, does not appear favorable.

The predominance of the United States as a partner in development of the Canadian economy has increased over the years in both absolute and relative terms. Although the EC follows this country in second position, the distance between the two is great and the nine-nation Community has lost ground in relative terms. Canadian concern about further slippage as a supplier to the U.K. market through a phasing out of its Commonwealth preferance added stimulus to the movement toward signing the pact.

(Under the Commonwealth Agreement, certain tariff preferences were granted to Canada by the United Kingdom and Ireland. Now inconsistent with U.K. and Irish membership in the EC, these trade preferences will be reduced periodically until they are phased out by July 1, 1977.)

According to Canadian data, exports by that country totaled Can$32.1 billion[1] in 1975, with 65 percent going to the United States and over 12 percent to the EC-9. A decade earlier, Canadian exports had been Can$8.5 billion, 57 percent destined for the United States and 21 percent going to the six countries that made up the EC, and to Denmark, Ireland, and the United Kingdom, which joined the EC on January 1, 1973.

The United Kingdom's share of Canadian exports to the EC-9 fell from 64 percent to under 44 percent during this period. Japan emerged as a significantly expanding market for Canadian exports during the decade—rising from Can$316 million in 1965 to Can$2.1 billion 10 years later.

During 1973-75, Canada's total ex-

EC-Canada Agreement

The Framework Agreement signed by Canada and the European Communities contains nine articles, still subject to change pending acceptance in final form.

In general, the Agreement accords the signatories most-favored-nation treatment under the General Agreement on Tariffs and Trade (GATT), promotes the development of commercial exchanges between them, agrees to foster mutual cooperation (for example, exchanges of information, broader intercorporate links between industries in both areas, and joint operations in third countries), and establishes a committee to review their various commercial and economic cooperation activities.

The pact also gives Canada and the EC the right to act fully in their respective self-interests under the GATT, allows for the establishment of a separate Protocol between Canada and the Coal and Steel Community (and its Member States), outlines the geographic areas covered, establishes that the Agreement is of indefinite duration, but terminable after 5 years by either party with 1 year's notice, and specifies the Agreement's official languages.

[1] **For convenience, one Canadian dollar can be assumed to equal US$1.**

ports of live animals averaged Can $105.8 million annually; slightly over 80 percent of the total was sold to the United States and less than 5 percent to the EC-9. Trade during part of this period was affected by U.S. restrictions on imports of live animals, beef, pork, and veal imposed in November 1974 in retaliation for Canadian import restrictions imposed in August 1974. Trade restrictions on these items were not completely removed until January 1, 1976.

Exports of food, feed, beverages, and tobacco averaged Can$3.6 billion annually between 1973 and 1975, 12 percent of Canada's total exports. This commodity grouping includes some items not classified as agricultural products by the United States—fish and whisky, for example—and excludes others such as oilseeds and hides and skins, classified as agricultural products by the United States but not by Canada.

THE ROLE OF THE United States as a market for these commodities was relatively large between 1973 and 1975—nearly one-fourth being sold to the United States, compared with 21 percent to the EC-9 and 14 percent to Japan.

Nearly one-half of Canada's exports of food, feed, beverages, and tobacco to the EC-9 went to the United Kingdom; wheat was the major item exported to the United Kingdom and Japan; whisky was the main item coming to the United States.

The United States predominates in Canadian exports of its other commodity groupings. The United Kingdom was also a major outlet among the EC-9.

Japan outranked the EC-9 as a market for Canada's crude-material exports in 1973-75, but the Japanese market was still only one-fourth as large as that of the United States. The large value of exports to the United States in 1973-75 was mainly because of natural gas and oil exports, but Canada's oil exports are scheduled to be phased out by the end of 1981.

Canadian imports totaled Can$34.5 billion in 1975, with Can$23.5 billion (68 percent) coming from the United States. Between 1965 and 1975, Canadian imports from the United States were larger than Canadian exports to the United States for 7 of the 11 years (exports exceeded imports only in the 4 years 1970 through 1973). The relative share of imports from the United States decreased 2 percent between 1965 and 1975, while that of the EC-9 declined nearly 4 percent, largely because of the relatively slow rise in Canada's imports from the United Kingdom. Canada's imports from Japan increased fivefold during the same period, coming up from a relatively modest base of Can$230 million to Can$1.2 billion.

Live animal imports by Canada were predominantly from the United States (92 percent) during 1973-75. Imports of live animals from the United Kingdom during this period were larger than those from the remaining eight members of the EC-9.

Canada's imports of food, feed, beverages, and tobacco from the EC-9 averaged Can$251 million annually during 1973-75, about 11 percent of its total average yearly imports for this grouping. The United States provided a much larger share of these imports during this period—about 47 percent.

Major imports from the EC-9 included wines, distilled alcoholic beverages, dairy products, and cocoa and chocolate; imports from the United States were concentrated mainly in fresh fruits and vegetables and corn for feed. The United Kingdom provided one-third of the Canadian im-

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CANADIAN EXPORTS[1] AND IMPORTS, SELECTED AREAS
[In millions of Canadian dollars[2]]

Year	Total	United States	European Community			Japan	Other
			EC-9[3]	EC-6	United Kingdom		
Exports:							
1965	8,525	4,840	1,826	626	1,174	316	1,543
1970	16,458	10,641	2,704	1,189	1,480	793	2,320
1975	32,096	20,939	4,042	2,237	1,761	2,115	5,000
Imports:							
1965	8,633	6,045	1,160	514	619	230	1,198
1970	13,939	9,905	1,587	805	738	582	1,866
1975	34,537	23,486	3,285	1,954	1,222	1,205	6,561

[1] Excludes goods imported by Canada for reexport in essentially the same form.
[2] The exchange rates used are US$1 equals: 1965-69, Can$1.08; 1970, Can$1.05; 1971, Can$1.01; 1972, Can$0.99; 1973, Can$1.00; 1974, Can$0.98; 1975, Can$1.02.
[3] Includes the EC-6 as well as Denmark, Ireland, and the United Kingdom, all three of which joined the EC on January 1, 1973.
Note: May not add to totals because of rounding.
Sources: Statistics Canada import and export data.

FOREIGN DIRECT INVESTMENTS IN CANADA, 1966-73
[In millions of Canadian dollars]

Areas	1966	1968	1970	1973
United States	15,570	18,510	21,403	26,074
European Community:[1]	3,041	3,437	3,937	(2)
Belgium-Luxembourg	235	228	255	(2)
France	215	328	405	(2)
Italy	56	53	68	(2)
Netherlands	332	344	446	(2)
West Germany	144	153	240	(2)
Denmark	23	15	14	(-)
Ireland	(2)	6	6	(2)
United Kingdom	2,046	2,310	2,503	3,124
Sweden	35	54	126	(2)
Switzerland	190	230	322	(2)
Africa	24	48	180	(2)
Japan	17	62	103	(2)
Other	131	193	287	(2)
Total	19,008	22,534	26,358	[3] 32,835

[1] Includes Denmark, Ireland, and the United Kingdom, which joined the EC on January 1, 1973. [2] Not available. [3] Includes investments for which breakdown by country not available.
Sources: Statistics Canada: *Statistics Canada Daily*. Catalogue 11-001E. Sept. 30, 1975; *Canada's International Investment Position, 1968-1970*. Catalogue No. 67-202. Sept. 1975, Ottawa.

Self-Service-Store Uptrend Continues in France

By EVANS BROWNE
Assistant U.S. Agricultural Attaché
Paris

THE FRENCH RETAIL food trade continues to adapt to new conditions as additional self-service stores open and prepared foods, particularly frozen items, become more readily available.

In the past 10 years, self-service stores —especially supermarkets and hypermarkets—have achieved tremendous growth, spurred by an increase in the number of working wives, a boost in refrigerator use, and a surge to the suburbs by auto-owning young families. In the past 2 years, however, the upward climb in self-service store openings has leveled off somewhat because of the high rate of French inflation that has sent costs zooming skyward, other economic depressants, and municipal regulations that tend to hold down their numbers. However, the current trend seems to favor a continuing rise in the number of self-service stores once economic conditions improve sufficiently.

At the present time, however, in some retailing areas self-service stores remain subordinate to the small, neighborhood stores that have always been the backbone of the French retail food system.

The health of France's self-service sector is apparent from its growth as purveyor of food items. In 1962, 70 percent of France's retail food sales were made by traditional-type stores—those handling a single item such as bread or meat—or by other small stores of the type known in the United States as Ma and Pa stores—retailers having small stocks of a large number of items, charging exceptionally high prices, and usually owned and operated by a single family. But by 1973, small-store food sales had dropped to 60 percent. Two years later, they had dropped again to 53 percent.

In all cases, it can be assumed that as the importance of the smaller units declined, the opposite was true of self-service stores.

Self-service stores now handle about 90 percent of France's total retail volume and about half the total of frozen foods. These stores—with their large growing stocks of dehydrated and frozen goods—offer a relatively new and attractive market for U.S. food products, provided U.S. manufacturers can comply with French requirements covering labeling and ingredients. (See box.)

In France, the most important types of self-service stores are the supermarket and the hypermarket.

A supermarket, according to the French Self-Service Institute, is a retail unit consisting of a separate establishment, or a distinct department in a large store, which sells fresh, canned, frozen, or otherwise processed grocery products, produce, wines and soft drinks, dairy items, meat and meat products—many prepacked—and some nonfood merchandise.

A hypermarket is similar to a supermarket except that its inventory and floor space are larger. It has all of the departments that a supermarket has plus others—a bakery and a delicatessen, for example. In addition, most hypermarkets also sell clothing, appliances, and furniture, as well as other large nonfood items.

Supermarkets normally devote about 30 percent of their floorspace to packaged and portion-controlled products such as canned goods, eggs in packs of 6-10, and yogurt in units consisting of several attached cups. Supermarkets also have manned vegetable, meat, cheese, and bread counters, thus combining the new and old selling techniques.

(In the United States, the terms supermarket and hypermarket are used to denote two types of large self-service units, but their marketing concepts are different from those in France.

(A U.S. hypermarket—a warehouse store where self-service customers make their choices from palletized stacks, pay at checkout counters, and usually load their own vehicles—carries about 3,000-4,000 grocery items and 1,000-2,000 nonfood items. some of them in the big-ticket category. A typical American

From above: The poultry area at a traditional market of the kind usually found in small French towns; a supermarket (left and below) will have self-service food, lighting, yard goods, and other sections. Supermarkets are expected to become a major part of the French retail food structure.

supermarket carries at least 12,000 grocery items in much more space, and no big-ticket items such as appliances or furniture.

(In fact, a U.S. hypermarket looks like a stripped-down supermarket, and has triple the turnover of a supermarket, but operates with approximately a third the payroll expense and one-half the gross margin.)

French traditional markets are generally open stalls, either of a permanent nature with wood or masonry walls or temporary enclosures of canvas and poles. The latter type is set up on parking lots or on wide sidewalks. Sometimes they are just selling areas in a "farmers' market."

Despite their unfinished nature, these markets sell a large share of the country's bakery products (especially bread), fish and seafood, and meat, and handle the majority of dairy-product, fresh-fruit, and vegetable sales. However, they handle only a minor share of packaged and canned foods and packaged beverages.

The larger stores and those operated by trade associations account for 42 percent of food sales, while the larger stores alone (particularly supermarkets) have 30 percent of the food sales, leaving 12 percent for the smaller association-type stores.

While the traditional markets, family-owned specialty stores, and some of the other smaller units do not have self-service facilities, most of the association stores and all of the larger stores are self-service types with merchandise displays and traffic-flow systems similar to those in U.S.-type supermarkets.

The trade category known to the French as large, integrated stores (including large store associations, chain stores, independent supermarkets, consumer cooperatives, and company cooperatives) sold only 10 percent of all food products in 1950, while so-called nonintegrated or associated stores (traditional-types) sold about 90 percent. By 1972, the integrated units had

U.S. Food Exports to France: Basic Data

U.S. businessmen who plan to enter the French food market should be knowledgeable about the regulations dealing with exports of food products to France. In several instances these are more involved than regulations covering similar food preparations intended for the U.S. market.

Current French import packaged food regulations require in general that the following information be given on the container:

- The product must be identified in French, for example, "Jus d' Orange à base de concentré" for orange juice from a concentrated base;
- The name and address of a French representative, importer, agent, and so forth, must be stated; and
- The volume and/or weight must be given in metric units.

It is best not to give nutritional information listing nutrient values either for the package's total contents, or for the daily allowance. This can put the product in a category requiring a dietetic or health food clearance, which may be more difficult to obtain.

Artificial colors, flavors, and preservatives are usually prohibited by French regulations, especially in goods having a natural appearance, such as fruit products, juices, jams, and canned goods.

France also has a general labeling law that requires open dating and forbids use of ambiguous statements that could mislead the consumer.

Additionally, the European Community is expected to issue by the end of 1976 a labeling directive applicable to packaged foods to be sold to the ultimate consumer, such as foods packaged for the retail trade.

Additional information regarding entry requirements for U.S. food products in the French and other foreign markets may be obtained by participating in the FAS label clearance program. This is a service whereby proposed product labels are transmitted to U.S. Agricultural Attachés overseas for clearance by the foreign governments involved. U.S. firms interested in this program should contact the Export Trade Services Division, FAS, USDA, Washington, D.C. 20250.

pushed their share of food sales to about 32 percent and that of nonintegrated or associated stores had fallen to about 59 percent. A new category had come into being after 1950—the so-called independent associated stores—had captured another 10 percent of the food sales in 1972.

The change in the relative importance of the smaller and the larger, more integrated stores also shows up in changing sales volumes for individual foods. Whereas at one time the small stores were the only sources of food items, by 1972 these traditional markets handled only 18.7 percent of the country's grocery sales, 33.6 percent of the beverages, 66.7 percent of the vegetables, 61.6 percent of the dairy products, 76.4 percent of the meat, 93.1 percent of the bread, and 86.3 percent of the fish. By contrast, in the same year totally integrated stores sold 58.3 percent of the groceries, 50.4 percent of the beverages, 27.9 percent of the vegetables, 32.1 percent of the dairy products, 20 percent of the meat, 5.7 percent of the bread, and 12.4 percent of the fish.

In the past decade, the number of hypermarkets has grown from five in 1967 to 11 in 1972. Fifty-one more were opened in 1973, 32 more in 1974, and 14 more in 1975. The number of supermarkets has doubled since 1970 to their present level.

In early 1976, supermarkets totaled 2,876 units and accounted for 18 percent of France's total food sales. The 305 hypermarkets sold 12 percent.

But the so-called Royer Law, an ordinance designed to limit the number of openings of large selling units by using the number of stores in a given area as a gage, has reduced the number of new openings. Also, local governments have been limiting the number of supermarket openings by approving only 40 percent of the applications for large stores, but 60 percent for small ones.

SOME OF THE SLOWDOWN in openings of new large-store units also came out of the intense competition that develops when several supermarkets serve the same neighborhood or attract their customers from overlapping areas. To strengthen their competitive stands and to increase floor space, some store chains are combining less effective stores into larger units and many others are being renovated. These improvements have increased foot traffic and provided additional space for display and storage, and in many cases have caused sales to rise.

Hypermarkets have increased their sales-floor space by an average of 231,040 square meters a year between 1969 and 1976, while the total area went from 152,000 square meters in 1969 to 1.77 million in 1976, and the average size per unit rose from 5,429 square meters to 5,800. For supermarkets, the average annual area increase for the same period was 196,160 square meters; the total went from 819,790 to 2.19 million square meters; and the average per-unit size from 633 square meters in 1970 (the first year for which data are available) to 762 square meters in 1976 (1 sq m=1.196 sq yd).

There are six major supermarket groups that divide between them half of the total sales area under the control of all supermarkets. These are Leclerc, Paridoc, France Printemps, Co-op/SGGC, an association known as Codec, and Intermarché. There are also five major chains that account for 48 percent of the hypermarket total: Mommouth, Carrefour, Euromarché, a cooperative called Rond-Point, and Leclerc. Leclerc is a joint supermarket/hypermarket organization.

In 1960, French self-service stores sold so little frozen food that virtually no consumption statistics were available. However, the business has prospered and in 1969, 68,000 tons of frozen food were consumed. Between 1969 and 1973, imports of frozen (−18°C or lower) foods rose from 20,989 metric tons to 31,666 tons. The 1970 data show that consumption had grown 36 percent greater than 1969's and by 1974, consumption was estimated at 174,000 tons.

French consumers generally prefer fresh foods to frozen but frozen food has wide usage because many of today's housewives must divide their time between home and place of employment. Further—although the economic downturn had caused some consumers to shift back to fresh products—the price of frozen items has not risen as rapidly as for fresh foods and this is said to have helped strengthen frozen food sales. In fact, these strengthening tendencies have caused frozen food sales to increase about 20 percent a year since 1973.

Frozen fish and other seafoods in various prepared forms were best sellers in the very early seventies. Their sales represented 44 percent of the total in 1971, but their share dropped to 22 percent in 1975 as purchasers began to spend more of their food francs for other frozen foods. In fact, while annual sales of frozen fish and seafoods dropped by about 500 tons between 1971 and 1975, the sale of other frozen items—particularly fruits, vegetables, and meats—went from some 50,300 tons in 1971 to 165,450 in 1975. Supposedly, the early lead in frozen seafood sales was partly because these products eliminated the need for cleaning and kept the kitchen relatively free of cooking odors, usually associated with the preparation of fresh seafoods.

The smallest share of the frozen food market is represented by desserts, puddings, and ice creams. Frozen juice sales are also small because—although they have been on the market for 5 years—promotional activities have been minimal. Some new products have been introduced and are making strong fights for a share of the market. Cooked meat dishes is one category that is reportedly a strong newcomer. Other frozen foods will gain consumer favor as they are promoted.

ABOUT half of France's frozen food is used in restaurants, cafeterias, commercial kitchens, and by caterers. The other half is sold in supermarkets and other self-service stores that represent 90 percent of retail volume. In 1969, frozen food was sold by 47,800 nonstore outlets. By 1974 the number had risen to 111,500. The number of retail store outlets selling frozen foods was up from 20,800 in 1969 to 62,500 in 1974.

Although by last year, some 89.9 percent of French homes had refrigerators and 17.7 percent had separate freezers, most frozen food was bought for immediate use because many of the refrigerators lacked freezer space. Only when housewives begin to replace their present refrigerators with more up-to-date ones is there a possibily that the number of housewives storing frozen food for use in the more distant future will show a marked increase, giving frozen food sales a push. Experience in other European countries shows that only a minimal education-type promotion program is necessary to teach housewives about proper frozen food storage.

PRC's 1976 Grain Prospects Dimmed by Adverse Weather

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DESPITE GENERALLY optimistic official claims for summer-harvested crops and early rice, weather conditions indicate that grain production in the People's Republic of China (PRC) in 1976 will likely be less than 1975's.

Official optimism waned as the country entered the fall harvest season when over 60 percent of total grain crops, as well as commercial crops, will be gathered.

Unseasonably dry weather conditions have continued in some of the important crop-producing areas in central, east, southwest, and northeast China. The development of some later maturing crops—particularly late rice—was retarded by the delayed harvest of early maturing crops—particularly early rice—in areas where multiple cropping is practiced. This upset growth patterns and cultural practices, and could affect the late crops whose maturity this year may extend into the frost season.

The 1976 harvest of early grains—including those planted in the fall (winter wheat, barley, oats, and pulses), spring wheat, and early rice—is estimated to be slightly less than that of 1975. The early grains constitute slightly less than 40 percent of the total grain harvest (excluding soybeans). It is estimated that in 1975 this portion amounted to almost 105 million metric tons.

Although the harvest of winter wheat and barley was possibly a record, other summer-harvested grains, particularly pulses, probably did not reach record levels due to unseasonably cold weather in the early part of the growing season in the Yangtze River basin.

Spring wheat and early rice output, which, along with summer-harvested grain makes up the early grain harvest, did not fulfill expectations. The slack in spring wheat production—due partly to a decline in acreage—was taken up by the increase in winter wheat. However, the total wheat crop will probably only approximate last year's total, possibly reaching 39 million metric tons.

The early rice crop appears to be smaller than the claimed record crop in 1975, despite an increase in acreage. When added to the smaller anticipated totals of intermediate and late rice crops, it is likely that total rice production will be less than the 122 million tons (paddy) estimated for 1975. Official reports so far on the total early rice crop have been evasive.

The outlook for the late harvested crops is mixed. Crops in this category include the major portion of miscellaneous grains (corn, millet, and sorghum), intermediate and late rice crops, tuber crops (primarily Irish and sweet potatoes), soybeans and other oilseeds, and other commercial crops (cotton, tobacco, and sugar).

"PRC reportedly about to make new purchases of grain . . . quantity will hinge on outcome of the late harvest."

Precipitation in the North China Plain ranged below normal through mid-June. Early development of fall-harvested crops (soybeans, millet, sorghum, and sugarbeets) in this area probably was affected, as was spring wheat.

However, precipitation in most areas of the North China Plain was normal during July and exceeded normal in August and September—a crucial growth period for late harvested grains. Dry weather in October could increase the quality of harvested crops.

Rainfall was generally below normal in parts of southwest, central, northwest, and east China, but few areas suffered extensive crop damage. The PRC's comprehensive irrigation systems have reduced much of the effect of the droughts.

In northeast China, the winter and early spring were characterized by excessive drought, followed in late spring by excessive rainfall. Since July 1, precipitation has averaged only two-thirds of normal. These weather conditions, which were conducive to the growth of weeds and the proliferation of insects, do not augur well for crops.

Owing to acreage expansion in early rice, intermediate rice area has again declined. During the 1970's there has been a substantial transfer of intermediate rice acreage to double (early and late) rice crops. However, the greater return is garnered from the early rice crop, particularly if the season for late rice is behind schedule.

The urgency to properly tend the late rice crop, as expressed in official directives to peasants in Kwangtung Province, indicates the PRC's concern over that crop. Shortage of organic fertilizer, late transplanting, the threat of insect damage, and the possibility of an early cold season could seriously affect the late rice crop. These conditions, coupled with the prospect of declining late rice acreage, suggest the possibility of a reduced late rice crop.

The PRC's cotton crop—presumably planted on about the same acreage as last year—may have been affected in some areas by the spring cold spells and dry weather in early summer. But growing conditions in the North China Plain, with its large cotton area, have been favorable since June. The preliminary assessment is for a crop similar in size to the reduced crop in 1975.

The Government has moved to maximize procurement from the early grain harvest as a hedge against the prospect of a mediocre fall harvest and also to provide assistance to the region stricken by earthquakes. Large numbers of teams were sent into the countryside to supervise the purchase and collection of grains and other crops. As a result, the PRC reported a substantial increase in crop procurement and records were set in the timeliness of delivery of crops to the State.

This was the first time, if ever, that such procurement methods were used. The collection of grains, particularly early rice, was made easier by the willingness of commune members to assist in the earthquake relief efforts.

The PRC reportedly is about to make new purchases of grain. The quantity of grain that may be purchased, if any, will hinge on the outcome of the late harvest, the success of the program to maximize procurements, and the extent of the PRC's foreign exchange deficit. Grain purchases in 1976 were 2 million tons of wheat from Canada and Australia.

U.S. Cattle and Hogs Find Buyers at Cremona Fair

Under the Bicentennial theme "200 years of scientific and technological progress in American agriculture," the U.S. Pavilion at the International Dairy Cattle Fair in Cremona, Italy, opened its doors in late September for the 12th straight year of promoting U.S. livestock and feed. The hope was that immediate and followup sales would surpass the stunning comeback of last year when sales tallied up at just under $700,000, double the depressed results of 1974.

Italy's balance-of-payments problems notwithstanding, Italian livestock producers came to the fair in a buying mood. Their profits had been good, and there is plenty of room for sales expansion in this country that is chronically deficit in meat and dairy products. In fact, breeding stock and feeder cattle, corn, grain sorghum, soybean meal, and other products that go toward sustaining the Italian livestock industry made up some 70 percent of the $800 million in U.S. agricultural sales to Italy during fiscal 1976.

During the September 24-26 run of the international part of the Cremona fair, upwards of 50,000 Italians visited the U.S. Pavilion located next to the fair's main gate. Here they looked at U.S. Holstein-Friesian cattle and breeding swine on exhibit and learned about modern livestock feeding and management methods introduced in Italy by FAS cooperators in overseas market development. Such groups exhibiting at the Cremona fair included the U.S.-Feed Grains Council, the American Soybean Association, the Holstein-Friesian Association, the National Association of Animal Breeders (NAAB), and the American Quarter Horse Association.

In addition, several private firms had booths and animals at the fair.

Of the foreign countries participating in the fair, the United States has been the longest standing participant. In fact, the first U.S. group to become involved, the Holstein-Friesian Association, received a special award from fair officials for this record.

The United States also was awarded a trophy for the quality and quantity of U.S. swine on display at the fair—a first for this exhibit where dairy cattle previously have been the rule and an indication of future trends in Italy, where pork output is rapidly modernizing and expanding.

"Buyers will come today to look and return later to buy," one exhibitor said, but even before the fair's close indications were that sales would be good. John Davenport, U.S. Agricultural Officer in Milan and exhibit manager for FAS, said that "the consensus is that sales this year will be equal to or better than the good showing of 1975."

Some results reported at the fair's end:

• Hamilton Amoss, the first private exporter of U.S. dairy cattle to be included in this show, said that he has already sold a 1,600-pound, 18-month-old purebred Holstein bull plus 30 Holstein heifers. He expected more results later after Italian livestock producers had sorted out their needs.

• Swine exporters and importers participating in the show foresaw a lively market in Italy for U.S. swine—as indicated by their shipments in recent months of nearly 1,000 head of U.S. swine to Italy. This is an encouraging development for U.S. swine exporters, who heretofore have not penetrated the Italian market on a significant scale. Commenting on this prospect, one of the Italian importers said that previously French and Dutch swine had been imported but now blood lines are becoming mixed and Italian farmers want U.S. swine to obtain better crosses. The initial shipments consisted of Spotted Hampshire, and Durocs, and small numbers of Yorkshire. All of the Yorkshire were sold immediately, indicating better-than-expected demand for this breed.

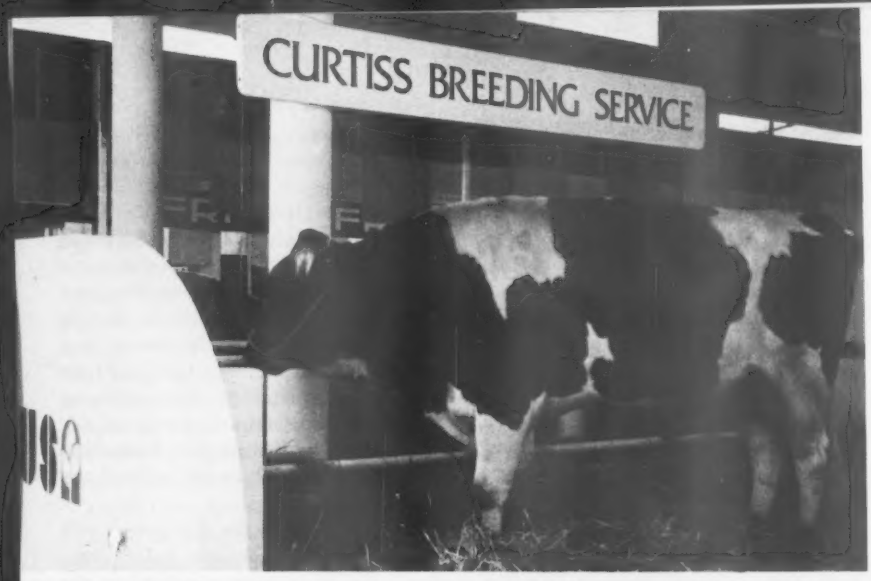
• Robert Heilman, International Marketing Coordinator of the Holstein-Friesian Services, Inc., said that some of the Italians who bought U.S. Holstein-Friesians in 1964 have been looking into the possibility of purchasing more cattle. Their initial interest has been in about 60 head.

• Among the exporters of cattle semen, which was promoted at Cremona under the NAAB standard, there was a feeling that some important leads are developing. One exporter of frozen semen said that his firm would easily do twice the business of last year—and possibly three times.

Above, view of Holstein-Friesian booth and United States Pavilion at the International Dairy Cattle Fair in Cremona, Italy.

"Although sales to Italy have been erratic over the last 4 years," another semen exporter said, "they are definitely increasing . . . this is a way for livestock farmers to improve their herd without making such a big investment."

In their gatherings at special dinners and meetings associated with the show, Italian farmers showed great interest in artificial insemination, as well as in such new concepts as embryo transplants. One of three seminars held at the exhibit focused on the latter concept, which trade members see as having a promising future. The concept, which relies on use of hormones to induce multiple births followed by transplants of the embryos into cows of the same heat cycle as the mother, promises good results once producers have learned to preserve ova longer than the 36 hours



Clockwise from below: Some of the U.S. Holstein-Friesian cattle at the fair; a pen of spotted swine, one of four breeds of U.S. swine exhibited this year at the fair; Hamilton Amoss (left foreground), a private U.S. cattle exporter participating in the show, in front of his exhibit; and one of the Holstein bulls displayed at the show.

it can survive after removal. "It took 20-25 years to develop the artificial insemination method—in part because of the long time involved in finding a suitable way to preserve semen—but with this pioneer work done, it will not take so long with this concept," one exporter said.

• U.S. exporters of feedgrains and soybeans can expect to gain from any increase in Italian livestock production, especially since the modern livestock management and feeding methods introduced by their groups are now widely accepted in Italy. Italy already is a top market for U.S. feed ingredients, taking 2.7 million tons of U.S. feedgrains, 872,000 million tons of soybeans and 441,000 of soybean meal in 1975/76.

• The American Quarter Horse Association expects to do increased business over the years as Italian interest in livestock production broadens to include this long-popular U.S. breed.

—Beverly J. Horsley, FAS

Canada-EC Pact

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ports from the EC; major commodities were distilled alcoholic beverages and sugar preparations and confectioneries.

Foreign investment, important in the development of Canada's economy, has been receiving closer scrutiny. The Canadian Government has strengthened review procedures and Federal laws restrict foreign direct investments in some areas of the economy.

Total foreign, long-term investments in Canada increased from Can$6 billion in 1926 to Can$54.6 billion in 1973. Foreign-ownership distribution for these 2 years, in percentages, with 1973 figures in parentheses, are: The United States, 53.3 (77.1); the United Kingdom, 43.9 (9.1); and all other countries, 2.8 (13.8).

Most foreign investments in Canada are direct investments. For the Can $54.6 billion of foreign investments in 1973, the breakdown in billions of Canadian dollars, was as follows: Direct investments, 32.8; Government bonds, 9.9; other portfolio investments, 8.6; and miscellaneous investments, 3.3. Total foreign direct investments in Canada rose to Can$32.8 billion in 1973 from Can$19 billion in 1966.

The U.S. investment share during this period fell slightly from 82 percent to 79 percent. For 1970, U.S. direct investments in Canada were nearly five-and-one-half times as large as for the entire European Community. The United Kingdom accounted for 64 percent of current EC-member-country total direct investments in 1970.

In view of the importance of U.S.-Canadian farm trade, the question can be legitimately raised: "What are the implications for U.S. agriculture of the EC-Canadian Framework Agreement for Commercial and Economic Cooperation? "Will the Agreement only amount to little more than "a bland bucket of fog" as suggested by a spokesman for the Canadian Manufacturers Association? Or will its consequences be much more serious?

IN FINDING AN answer, several points should be kept in mind.

- The Agreement is nonpreferential in character and is in line with the GATT. Any trade liberalization carried out between Canada and the EC concerning agricultural commodities must be extended to other GATT signatories. Thus, agricultural trade expansion between Canada and the EC will depend largely on what happens in GATT and, for the medium term, more specifically on what happens in the current Multilateral Trade Negotiations (MTN) in Geneva.

- The existing agricultural, industrial, and trade ties between the United States and Canada have been established over many decades. These relationships are likely to expand and broaden as the economies of both Canada and the United States continue to grow. Circumstances could be altered, however, if Canadians begin to view unfavorably U.S. investments and other economic activities, compared with those of other areas.

- The physical proximity of Canada and the United States is conducive to bilateral trade. One reason of some importance is the relatively low transportation costs between the two.

- The pronouncement by Prime Minister Trudeau that the Agreement is not intended to weaken Canadian-U.S. ties but to strengthen Canadian-EC ties, also tells much about the Agreement.

Details on how the Agreement will work are largely unknown at this time. Any significant progress under the Agreement would seem to hinge in part on the initiative and aggressiveness of the Joint Cooperation Committee to be established under the pact. Although the private sector will play the major role in implementing the Agreement, the degree of encouragement and support given by both the Canadian Government and the European Communities will be of major significance.

Certainly the broad framework has been created for a significant expansion in EC-Canadian commercial and economic interchanges without having to resort to preferential trading arrangements. But there also is strong likelihood that U.S.-Canadian trade will also expand. In addition, biannual consultations between the European Community and the United States on topics of mutual interest have been in process for several years.

CANADIAN EXPORTS [1] AND IMPORTS, BY PRINCIPAL CATEGORIES, SELECTED AREAS, 1973-1975 AVERAGE
[In millions of Canadian dollars]

Item	Total	United States	European Community			Japan	Other
			Total EC-9	EC-6	United Kingdom		
Exports:							
Live animals	105.8	85.3	4.6	3.7	0.7	1.5	14.4
Food, feed, beverages and tobacco	3,574.7	842.0	740.2	379.2	354.5	487.2	1,505.4
Crude materials, inedible	6,908.6	4,331.0	975.6	608.1	360.6	1,118.4	483.6
Fabricated materials, inedible	9,532.8	6,413.4	1,580.4	712.2	849.2	383.8	1,155.2
End products, inedible	9,154.2	7,644.5	409.4	225.0	171.4	51.8	1,028.4
Special transactions, trade	67.9	55.4	1.8	.5	.7	(2)	10.7
Total	29.393.9	19,391.5	3,712.0	1,928.6	1,737.1	2,042.8	4,197.7
Imports:							
Live animals	107.2	98.4	6.9	3.3	3.6	(2)	1.9
Food, feed, beverages and tobacco	2,285.0	1,085.3	251.2	145.6	87.5	35.6	912.9
Crude materials, inedible	3,720.6	1,096.1	59.4	20.3	28.8	3.6	2,561.5
Fabricated materials, inedible	5,564.0	3,690.8	818.5	507.6	294.7	349.0	705.7
End products, inedible	17,847.2	14,210.2	1,771.0	1,026.5	690.5	822.9	1,043.1
Special transactions, trade	286.8	229.9	30.3	16.7	12.8	5.5	21.1
Total	29,810.8	20,410.7	2,937.3	1,720.0	1,117.9	1,216.6	5,246.2

[1] Excludes goods imported by Canada for reexport in essentially the same form. [2] Less than Can$100,000.
Sources: Statistics Canada import and export data. Note: May not add to totals because of rounding.

U.K. Grain Prospects

Continued from page 5

could limit the size of U.K. grain utilization. Feed costs are rising and it is believed that the future cost of imported protein feed will be more expensive than at present. There was also apprehension that U.S. feedgrain prices could rise under the impetus of a final grain crop estimate markedly smaller than indicated earlier in the season. It is now likely the U.S. grain crop will be slightly smaller than last year's.

So far there has been no panic killing of cattle (although cattle numbers have not increased this year, as earlier expected) and the Government has an alternative to such slaughter to maintain farm incomes at a reasonable level should input costs rise too sharply. Under severe pressure from U.K. farm groups, the Government is studying the effects of keeping the green pound (a rate of exchange used by the United Kingdom to relate the pound to the EC unit of account) at its present level, even though there has been a wide discrepancy between its value and that of sterling. One reason for the Government's caution in devaluing the green pound is that such a move, coming on top of food price increases resulting from the drought and other causes, would have a severe, harmful effect on the economy's stability.

The British livestock industry would be particularly hard hit by a fall in sterling's value because it is a big user of imported raw feed materials. Additionally, the meat industry (particularly beef) is meeting increasing consumer resistance to higher prices. And there is evidence from the reaction to last autumn's milk-price increases that any more than a marginal boost would cut fluid milk consumption.

If there are no upsetting factors such as the killing of herds to avoid feeding high-priced grains and protein feeds, feed utilization in 1976/77 could reach about 12.5 million tons, higher than the depressed 12.4 million tons in 1975/76, but still well belows the 1974/75 figure of 12.7 million tons.

In the 1975/76 marketing year (July-June), the United Kingdom significantly increased its imports of all types of grain, particularly of wheat, coarse grains, and barley. The boost reflected not only a marked fall in the size of last year's grain crop because of the drought and a bad sowing and growing season, but also revived demand by the U.K. livestock industry for feed materials.

The greatest increase in wheat shipments was in those from France, reflecting the fall in the U.K. wheat feed supplies. There also were marked increases in wheat transshipments from the Netherlands and Belgium, which may partly account for the drop in direct shipments from Canada. Direct shipments from the United States were up 24 percent to 252,000 tons.

In the feedgrains sector, corn imports rose by only 8 percent—from slightly more than 3 million tons in 1974/75 to 3.29 million in 1975/76. But the increase may be significant as it marked a revival in the use of corn by the hog and poultry sectors and played an important role in last year's supply and demand situation. Direct shipments of corn from the United States rose by more than 40 percent to 1.06 million tons, offsetting a 10 percent drop in transshipments via the Netherlands.

Coarse grain imports in 1975/76 rose by 222,000 tons, reflecting the price competitiveness of coarse grains with corn and EC feed wheat—particularly in August 1975 and February 1976. The United States shipped just 5 percent of total coarse grain imports, while transshipments from the Netherlands amounted to 43 percent. Belgium provided 28 percent of the total.

Barley imports increased by 104,000 tons to 582,000 tons, also because of the drop in U.K. wheat production in 1975.

U.K. grain exports in 1975/76 registered sharp increases, with barley exports (largely brewing barley) nearly doubling from 434,000 tons in 1974/75 to 849,000 tons. Prospects for U.K. grain exports in 1976/77 appear to be limited, although it is difficult to predict how the many factors that affect the U.K. grain trade, such as transitional prices, green pound adjustments, and others, may make it worthwhile for such exports to be made to other EC members, despite the probable tight U.K. feed situation. Barley exports should fall, however, if only because of the shortage of grain suitable for malting.

—Based on report from
Office of U.S. Agricultural Attaché
London

NEW JAPANESE FARM MINISTER KNOWS UNITED STATES

Newly appointed Japanese Minister of Agriculture and Forestry, Buichi Oishi, is congratulated by Wheat Associates, U.S.A., Director Ronald Maas, as Larry Thomasson, U.S. Agricultural Attaché to Japan (left), and Paul Sone, Associate Director of the wheat marketing organization (right), look on. Minister Buichi headed the first Japanese wheat team to visit the United States in 1956 as guest of the Oregon Wheat Growers League and the Foreign Agricutlural Service. Total Japanese purchases of U.S. wheat in that year were 47 million bushels; now, 20 years later, they have grown to 110 million.

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Asia's Rice Imports

Continued from page 4

land and the United States.

Reflecting the increased pressure on Thai stocks, rice prices in Bangkok began to rise in July 1976 as Indonesia announced plans to import 1.5-1.7 million tons of rice in 1976/77. During the first week in September alone, Thai export prices for the top grades of rice increased by $15 per ton, indicating growing recognition of a tightening supply situation in Asia.

In situations where Thailand and the PRC have decreased export capability, the United States is often the residual supplier of rice to Asia.

Rice production shortfalls in Asia are normally not satisfied by an increase in wheat imports. Some trade-off is possible when the humanitarian need is extreme and when price conditions are overwhelmingly in favor of wheat.

Most of the shipments of U.S. rice to Asia in 1976 and 1977 will move through Title I, P.L. 480, financing to Bangladesh, India, South Korea, and Indonesia. Cash purchases of U.S. rice by South Korea, Hong Kong, and Singapore reached record levels in 1974/75 but dwindled in 1975/76 as exportable surpluses became available with the record Asian rice harvests of that year.

Total U.S. rice shipments to Asia decreased from 1.15 million tons in 1974/75 to 427,000 tons in 1975/76 because of the drop in U.S. exports to Cambodia, Vietnam, and Korea.

U.S. exports to Indonesia during 1976/77 are already scheduled to reach 350,000 tons. This would be only a small part of Indonesia's total rice imports during 1976/77, with estimates ranging from 1.5-1.7 million tons.

In Bangladesh and South Korea, consumers prefer rice over other lower priced cereals that have been favored over rice by Government policymakers because of the price spread. Now that rice prices are lower, the advantages of importing wheat rather than rice are less alluring.

Total rice imports by Sri Lanka in 1976/77 may reach 450,000 tons, almost 50 percent above the level imported annually during the last 3 years. Sri Lanka already receives U.S. wheat and wheat flour under Title I, P.L. 480. The lower price for wheat will probably cause further gains in Sri Lanka's imports of that commodity.

Only 18,000 tons of rice sold to India under Title I, P.L. 480, were shipped in 1975/76 and most of the remainder moved out in July and August.

The PRC, Thailand, and Burma all are expected to maintain or increase their rice exports, barring the unforeseen. The food needs of the major rice importing countries of Indonesia will no doubt continue to increase.

CURRENT OILSEED AND PRODUCT HIGHLIGHTS

• **Peru's** anchovy catch through October 21 totaled 2.9 million tons, equivalent to 634,000 tons of fishmeal. Fishmeal exports through September reached 462,000 tons.

The calendar 1976 anchovy catch is forecast at 4 million tons, equivalent to 860,000 tons of fishmeal. Exports are forecast at 700,000 tons. Fishmeal production in 1975 totaled 712,000 tons and exports 748,000 tons, as stocks were reduced.

These forecasts are based on the assumption that fullscale fishing was resumed in early November.

• The **European Community** recently announced termination of its controversial non-fat dried skim milk (NFDM) disposal scheme as of October 31. The scheme, initiated April 1, was aimed at incorporating 400,000 tons of NFDM in mixed feeds. Based on nutrient and digestability factors, 400,000 tons of NFDM approximates the feeding value of about 380,000 tons of 44 percent soybean meal.

Almost the entire target quantity was contracted, but only about 300,000 tons have been delivered from intervention stocks. Remaining intervention stocks are heavy, about 1.3 million tons.

• **Brazilian** soybean export registrations for the marketing year ending March 31, 1977, are limited to 4.1 million tons by CACEX, the Bank of Brazil's Export Department. However, to prevent an oil shortage occurring in Brazil, crushers are reported to have repurchased about 250,000 to 300,000 tons of soybeans, previously scheduled for export.

The recent increase in domestic oil prices authorized by the Brazilian Government has enabled crushers to buy soybeans destined for export at prices sharply above world prices.

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